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INTERNATIONAL: IAEA Board Meeting

The meeting of the IAEA Board of Governors, which begins on Tuesday, will try to avoid politically divisive issues by sticking to a long technical agenda. [REDACTED]

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The agenda contains no items calling for suspension of South Africa or Israel, although India may "remind" the Board of its previous condemnation of South Africa's nuclear and racial policies without demanding formal action. [REDACTED]

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Board membership looms as the most troublesome issue. Spain and Sweden have challenged Italy's right to a permanent seat, claiming that their nuclear programs are more advanced. A proposed West European compromise would rotate the seat among five of the smaller West European countries, but Rome has not yet accepted this proposal. [REDACTED]

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The annual safeguards report will be presented, stating that "substantial" unsafeguarded nuclear activities occurred in four countries last year. This report, however, will not name the four countries—India, Pakistan, South Africa, and Israel. [REDACTED]

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Comment: A move by Arab or other Third World countries to include motions to condemn South Africa or Israel on the agenda of the general conference in October would be hard to oppose because of the Board's rules. [REDACTED]

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The challenge to Italy's seat will strengthen Third World demands to expand the number of permanent seats to include more developing countries. The move almost certainly risks further politicization of the Agency. [REDACTED]

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NIGERIA: Financial Position

The elections coming in August and the recent improvement in Nigeria's financial position may tempt President Shagari to relax spending controls, but such a move would greatly complicate the government's attempts to revitalize the economy.

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Oil production, the source of more than 90 percent of Nigeria's foreign exchange earnings, has risen.

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Comment: Even allowing for production at the OPEC quota of 1.3 million barrels per day through the end of the year, Nigeria will earn little more than \$10 billion. This is still not enough to cover debt servicing costs and minimum import expenditures.

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Nonetheless, Shagari could feel the need to loosen the reins on spending before the elections if urban unrest were to develop over chronic shortages of essential commodities. In such a case, the President probably would change spending priorities. If he delayed payments on external debt, however, he could jeopardize the government's efforts to reschedule some of its unpaid bills, which total about \$6 billion.

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ISRAEL: New Economic Measures

Press reports say the government has imposed a 0.3-percent fee on withdrawals from checking accounts to finance the cost of keeping troops in Lebanon. The fee is designed to replace revenues from compulsory loans levied on salaries last summer that were allowed to lapse last month. In addition, the government will require importers to deposit 15 percent of the value of imports into special accounts. [REDACTED]

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Comment: The new revenues will cover only one-third of the cost of maintaining Israeli forces in Lebanon. Unless Finance Minister Aridor finds other sources of revenue or makes cuts elsewhere, the budget deficit will be increased. He probably adopted the import deposit scheme to reduce criticism by the Manufacturers' Association of the exchange rate policy that has made imported goods cheaper than those produced domestically. Both measures will add to inflationary pressures at a time when prices are increasing at record rates. [REDACTED]

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USSR-FRANCE: Criticism of French Nuclear Policy

Pravda on Wednesday assailed France's buildup of its nuclear forces and its refusal to submit them to accounting at the INF talks. The article alluded to French submission to US pressures on arms issues, noting in particular that President Mitterrand had reaffirmed his support for INF at the Williamsburg Summit. The newspaper also asserted that a number of steps taken by the Mitterrand government to build up the armed forces have undercut its claims of independence from NATO's military structure and will increasingly strain the French budget. [REDACTED]

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Comment: None of the charges are new, but Moscow's criticism probably will intensify as a result of the statement on arms control issued by the Western leaders at Williamsburg. The Soviets also may highlight reported accusations by some French politicians that Mitterrand was maneuvered into endorsing the statement. In addition, Soviet commentary will continue to play on France's domestic economic problems in an effort to persuade Mitterrand to reduce his support for US policy on INF and other issues. [REDACTED]

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Special Analysis

INTERNATIONAL: Reactions to the Williamsburg Summit

Foreign leaders generally are pleased with the results of the summit. Most have praised the unity shown by the participants and, in particular, have cited the arms control statement as proof of their common purpose. Almost all have noted that the meeting was not without its problems, but they appear content to announce publicly that they made known to the US their differences with its policies. Media reaction is becoming less positive. The West European press is now citing the dollar's renewed strength as proof that the summit accomplished nothing in regard to US economic policies.

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An official West German spokesman says Chancellor Kohl told his cabinet on Wednesday that "everything was achieved that was possible to achieve" at the summit. Kohl also expressed his disappointment about the lack of agreement on the US interest-rate issue, calling it a strain on the spirit of unity. On the other hand, the Chancellor took a positive view of the agreements to stimulate investment, to safeguard the international financial system, and to reduce budget deficits and unemployment.

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Press reaction in West Germany has been mixed. It has ranged from skepticism that the summit produced any real results to praise for Kohl and for President Reagan.

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In France, Elysee Secretary General Bianco told US officials on Tuesday that the French were completely satisfied with the results of the meeting and that they had obtained "everything they wanted." He said that, despite President Mitterrand's initial hesitancy about the declaration on security, Paris recognizes the issue's importance and believes the declaration will have a positive effect. Press reaction has tended to reflect Bianco's basically positive appraisal.

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The Communist Party, however, released a statement on Tuesday charging that the security declaration had compromised French independence. The US Embassy notes that the statement is being interpreted as a direct attack on Mitterrand. A government spokesman yesterday rejected the criticism by the Communists, and some Socialist Party officials are playing down the importance of the rift.

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The UK, Italy, and Canada

British officials have expressed pleasure that the summit declaration implicitly endorsed Prime Minister Thatcher's economic

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priorities of fighting inflation and reducing government deficits. Thatcher also has found President Reagan's remarks about control of cruise missiles based in the UK useful in fending off attacks on INF. Although opposition leaders have denounced the summit as a failure, voters in the UK are focusing on more urgent domestic issues in the week before the election. [REDACTED]

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The summit has received mixed reviews in the British press. Most newspapers are saying that it was useful and a step in the right direction. At the same time, they fault it for failing to spell out specific steps for dealing with international economic problems. [REDACTED]

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Italian officials also came away from Williamsburg with a sense of accomplishment. Prime Minister Fanfani is telling the press that the summit's declaration will have an important impact on world growth if the commitments made at the meeting are followed up. According to Treasury Minister Gorla, Italy used the summit to make the US more aware of the serious problems caused by its high interest rates. [REDACTED]

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The Italian press has described the summit as a victory for the US and has singled out the declaration on arms control as the meeting's centerpiece. Most Italian observers see the arms control statement as a clear and firm rebuff to recent Soviet threats and tactics. [REDACTED]

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The Italian Communist Party paper, however, has criticized the declaration. According to press reports, the party has decided to make opposition to the installation of cruise missiles in Italy one of its principal campaign issues. [REDACTED]

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Canadian Prime Minister Trudeau pronounced the summit an "unqualified success" upon his return home, adding that the Canadian delegation was "very happy" with the outcome of discussions on both disarmament and economic issues. Trudeau enjoyed the informality of the meetings, which was more suitable to his negotiating style than the structured summits of the past. [REDACTED]

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Japanese Views

Prime Minister Nakasone and his supporters in the mainstream factions of the Liberal Democratic Party appear pleased with the results of the summit. Leaders of major business organizations have endorsed statements on both security and economic issues. [REDACTED]

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On the other hand, the two leftwing opposition parties and some of the media are criticizing Nakasone for associating Japan with NATO. A leader of one faction of the Liberal Democratic Party also has charged that Nakasone went too far. Such criticism from within the ruling party probably is intended to shift the blame to Nakasone if the Liberal Democrats make a poor showing in the upper house elections on 26 June. [REDACTED]

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Special Analysis

ISRAEL-SYRIA: Tel Aviv's Perceptions

The Israelis believe that Syrian President Assad's recent military moves are aimed largely at undermining moderate Arab support for the Israeli-Lebanese agreement and intimidating the Lebanese into pulling out of the accord. Tel Aviv recognizes that even a limited military response to the Syrian moves would play into Assad's hands and probably increase domestic opposition to Israeli operations in Lebanon. Nonetheless, the Israelis believe they have to come up with a way to counter Assad's moves or risk Syria's gaining the upper hand.

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Israeli concern about a Syrian attack has eased considerably since the Syrian command and control exercise ended last weekend. Senior Israeli officials are now inclined to regard the exercise, the air attack last week on an Israeli reconnaissance flight, and the recent surge in Palestinian attacks as part of a broader strategy designed to undercut the agreement. They believe that Assad hopes to create a crisis atmosphere, forcing moderate Arab states to back down from their limited support for the agreement and instead back Damascus.

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The Syrian moves, according to Tel Aviv, also are aimed at intimidating Lebanese President Gemayel and influencing the Lebanese parliament to vote against ratification of the accord. The Israelis cite a recent increase in Palestinian infiltration into Beirut and Syria's additional support for its various surrogates in Lebanon as evidence of Assad's efforts to put pressure on the Lebanese.

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Israeli Responses

The Israelis are uncertain about how to combat the Syrian strategy. They fear that a military response—no matter how limited—would aid Syria's efforts to create an air of crisis. They also are apprehensive that military action would strain relations with the US and put the blame on them for increasing tension.

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Tel Aviv thus far has sought to dissuade Assad largely through public statements warning him that Israel would not be drawn into a war of attrition and would respond massively to Syrian provocations. This tactic has done little to discourage the Syrians.

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Israeli efforts to blunt the Syrian moves also have been constrained by rising domestic unrest over the extent of casualties in Lebanon. Eight Israelis were killed there last month—the largest number since September—and public concern about Prime Minister Begin's policies on Lebanon is growing. Begin is aware that further military action could stretch the limit of domestic support for the war.

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Nevertheless, Tel Aviv believes it has to move quickly to respond to the Syrians or risk letting the political momentum shift to Damascus. Pressure on Begin to do something also has mounted as a result of increasingly effective criticism of his policies by the Labor Party and because of growing unrest in his cabinet.

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The Next Steps

In the near term, Israel probably will look to the US to strengthen moderate Arab support for the agreement and to prod the Lebanese to move rapidly on ratification. In addition, Tel Aviv may want the US to urge the USSR to restrain Damascus.

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A limited military response also is likely to be under consideration. This could take the form of an attack on Palestinian positions in Lebanon or an effort to lure the Syrians into an air battle over Lebanon. Such actions would be intended to warn Assad against further provocations and to enable the Israelis to regain the initiative.

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A larger, Israeli-initiated military response is unlikely in the near term. Israeli military leaders remain concerned, however, about the pattern of Syrian activity and apprehensive about a surprise move.


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